

## GLOBAL NEWS LINE

### CANADA

**The heavy-construction equipment sector in Canada will grow in the next three years.** U.S. exports of heavy construction equipment to Canada will grow by 2 percent annually during the 2002–2005 period.

Confidence in the overall Canadian economy drives most spending decisions regarding heavy construction equipment. When the Canadian economy is strong, it increases business confidence, which in turn increases private sector investment in structures as well as public sector investment in capital works. The overall state of the Canadian construction industry improves, and this in turn increases investment in new equipment.

The gross output for the Canadian construction industry is projected to rise from \$88 billion in 2002 to \$91 billion in 2003, and then to \$94 billion in 2004. Residential construction, which accounts for approximately 52 percent of total construction in Canada, reached a 12-year high in 2002. Total housing starts peaked at approximately 182,000 units last year, representing an increase of 18 percent over 2001. Rising sales and a low supply of new listings, moderate mortgage rates, and improved economic conditions should sustain a stable housing construction market through at least 2006.

The United States is the largest exporter of heavy construction equipment to Canada, followed by Japan and Germany. Equipment from the United States, valued at \$1.1 billion, accounted for 64 percent of total imports of heavy construction equipment into Canada in 2001. Most Canadian imports from the United States consist of parts and attachments, mechanical front-end shovel loaders, mechanical excavators, and handling equipment.

The success of U.S. heavy construction equipment suppliers in Canada reflects the advantages that U.S. manufacturers enjoy over third-country suppliers, including common borders, similar

quality demands, and comparable distribution channels. Canadian imports of heavy construction equipment from the United States totaled more than \$1 billion in 2002, and such imports are expected to increase annually at a real rate of 2 percent through 2005.

### COSTA RICA

**Costa Rica has traditionally been one of the largest importers and consumers of paper and paperboard in Central America.** However, the economic slowdown experienced by the country during the last two years has produced a decline in the overall market for paper and paperboard. The total market amounted to \$340 million in 1999, \$338 million in 2000, and \$337 million in 2001. The expected annual growth rate for the next three years is 3–5 percent. The import market experienced a similar decline, mostly caused by price erosion. Costa Rica imported \$238 million (357,988 tons) in 1999, \$237 million (314,900 tons) in 2000, and \$237 million (326,591 tons) in 2001. The United States is the largest supplier of paper and paperboard to Costa Rica. Imports from the United States totaled \$170 million in 1999, \$157 million in 2000, and \$143 million in 2001. The market share of U.S. exports to Costa Rica averaged 66 percent for those three years. In 2001, the main third-country competitors of the United States were Mexico, with a market share of 11 percent, and Canada, with a market share of 8.7 percent. Local production of paper and paperboard is limited to the production of absorbent paper (toilet paper, cleaning tissues, towels, napkins, and diapers) and to the production of corrugated carton boxes from recycled kraft.

Kraft (paper and paperboard) is the product most frequently imported from the United States to Costa Rica. Kraft is used for the production of corrugated carton boxes and cement paper bags. Second after kraft paper is solid bleached surface paper and paperboard, coated on one or both sides, used in the production of folding cartons, posters, labels, books, and

other items. Third after kraft paper is bond paper used for writing, press and computer printing, faxing, photocopying, and other office activities.

Due to the difficult economic environment in Costa Rica, the paper and paperboard market in Costa Rica is driven by two factors: price and sales terms. For local importers and distributors, the lowest price and the best supplier credit terms determines who will receive the order. International suppliers from almost every country traditionally grant 60–90 day credit to importers in Costa Rica. U.S. suppliers interested in participating in this market should be able to offer the same or better credit conditions to local importers.

### PANAMA

**The high-end furniture sector has developed into a promising and sophisticated market since 1990, when democracy was established in Panama.** It is becoming more competitive, with the presence of exclusive furniture brand names from the United States and Europe, and it is expected to increase at a moderate rate of 8 percent during the next three years. The total market size is estimated at \$8 million in 2002. The United States, with a market share of 50 percent, is the main competitor in the market. Asian countries (such as Malaysia and South Korea) and European countries (such as Spain, France, and Italy) are striving to increase their market shares.

U.S. furniture is in high demand in Central America, due to its design, durability, and quality, although it is considered a bit expensive compared with Asian and European furniture. Imports from the United States remain strong, especially living-room, bedroom, and dining-room sets, as well as decorative pieces.

Panama is a relatively sophisticated market in comparison with other countries in Central America. It has the highest per capita income (around \$3,600), the U.S. dollar is

the legal currency, many Panamanians travel frequently to the United States, and many business executives have been educated in the United States. Additionally, imported and locally produced design magazines are increasingly available, which have an influence on the demand for high-end furniture. Moreover, rapid urban development, lower import duties, and aggressive marketing practices by major retailers have created dynamic opportunities for U.S. exporters.

## BRAZIL

**Although local and international economic and political factors are negatively affecting Brazil's ability to import, the pet food and accessories market presents great growth potential and opportunities for U.S. companies.** This fast-growing sector is perfect for foreign companies with medium- and long-term plans to enter the Brazilian market. To address any import problems, U.S. firms may want to establish plants in Brazil, or set up joint ventures with local manufacturers.

Brazil has 27 million dogs and 11 million cats. They consume about 95 percent of Brazil's pet food and supplies. Only one-third of these pets eat processed pet food. The Commercial Service estimates that \$55 is spent on each pet annually. If all pets were fed processed pet food, the market would total \$2.1 billion. This does not include vaccines and veterinary services, which according to local experts would add \$99 to the annual expenditure per pet, for a total of \$154.

As in other sectors, the pet food and supply import segment has suffered from the devaluation of the Brazilian currency. This has led to substitution of imports by local production, which for the last eight years has grown an average of 26 percent annually. The turbulence from the recent presidential elections in Brazil has resulted in significant devaluation of the Brazilian currency.

Strong marketing campaigns by local manufacturers of pet food are changing the behavior of pet owners. While consumers in the upper income level are the main buyers of pet food and

accessories, lower income groups present a great opportunity for growth. About 64 percent of middle-class homes have pets, and 55 percent in lower income homes. Lower income consumers are growing aware of the importance of treating pets properly.

## NEW ZEALAND

**New Zealanders enjoy traveling internationally.** An unofficial estimate of the number of New Zealanders holding passports is 2 million, or 53 percent of the country's total population of 3.8 million people. New Zealand's remoteness from the rest of the world means air travel is the most popular way of leaving this country—99 percent of all departures are by air.

After the U.S.-based terrorist attacks on September 11, 2001, New Zealanders were generally anxious about traveling internationally, but most international travelers regained their confidence to travel within a few months of the attacks. However, the Bali bombings last October reinforced the notion that New Zealanders need to be more cautious about their personal safety overseas. Price-cutting on tickets has helped to keep people traveling. Last November, New Zealanders were told by the New Zealand government to take sensible precautions for their personal safety and be extra vigilant in public places in Europe, Australia, and North America.

For the year ending September 2002, short-term departures totaled 1.3 million, down 4 percent on the previous year. The decline is directly attributed to the terrorist attacks of September 11, 2001. Most short-term departures for the year ending September 2002 (more than 50 percent) are to New Zealand's nearest neighbor, Australia, followed by Fiji (5.3 percent), the United States (5 percent), and the United Kingdom (4.9 percent). Business is the main reason why New Zealanders travel to the United States. Compared with Australia and Asia, the United States is an expensive destination for New Zealanders.

## HONG KONG

**Hong Kong is a densely populated city of 6.8 million people living in a**

**total area of 1,100 square kilometers.** The conventional cut-and-cover method to install and repair underground infrastructure is becoming difficult to implement without negative effects on traffic, society, and the environment. Since 1998, when the Hong Kong government's Water Supplies Department (WSD) constructed a large-scale water main using trenchless technology, there has been increased usage of this technique. Industry contacts expect 20-percent growth in the coming years, due particularly to the demand in water rehabilitation and telecommunications market.

Hong Kong suffers water bursts and leakage of 25 percent due to aging water mains and the pressure capacity of pipes. At the suggestion of consultants, the WSD plans to rehabilitate 3,000 kilometers of water mains through 2020, at an estimated cost of \$1.3 billion.

Although many trenchless technologies are in use, Hong Kong has been leaning towards pipe jacking in the past few years. Horizontal directional drilling has become popular recently. In the future, relining projects will increase significantly due to demand in water main work. Other products will also be in high demand, such as locators, radar equipment, closed-circuit televisions, robotic cutters, pipe cleaning equipment, rehabilitation design software, pipe supplies, drill rods, drill bits, and bentonite. There will also be strong demand for underground detection and trenchless consulting.

All trenchless equipment is imported, mostly through agents who sell to contractors. Timely delivery, availability of technical support, and durability of the equipment are the most important influences on purchasing decisions. ■

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